FILED
MAY 17 1946
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

No. 1239.

October Term, 1945.

SYLVANIA INDUSTRIAL CORPORATION and SYLVAN PLASTICS, INC.,

Petitioners,

v.

LIBBEY-OWENS-FORD GLASS COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT AND BRIEF IN SUPPORT THEREOF.

CHARLES H. HOWSON,
DEXTER N. SHAW,
Attorneys for Petitioners.

WILLIAM A. SMITH, JR.,
LESLIE D. TAGGART,
Of Counsel.

International, 236 Chestnut St., Phila. 6, Pa.

INDEX TO PETITION.

	Page
I. Summary and Short Statement of the Matter Involved	1
II. Jurisdiction	4
III. The Question Presented	4
IV. Reasons for Granting the Writ	5

CASES CITED IN PETITION.

	Page
B. B. Chemical Co. v. Ellis, 314 U. S. 495	2
Carbice Corp. v. American Patents Development Corp., 283 U. S. 27	2
Collins v. Metro-Goldwyn Pictures Corp. et al., 106 F. (2d) 83	6
Ethyl Gasoline Corp. v. United States, 309 U. S. 436	2
Hanney v. Franklin Fire Ins. Co., 142 F. (2d) 864 (C. C. A. 9)	6
Jefferson Electric Co. v. Sola Electric Co., 122 F. (2d) 124 (C. C. A. 7)	6
Leitch Mfg. Co., Inc. v. Barber Co., Inc., 302 U. S. 458	2
Mercoid Corp. v. Mid-Continent Invest. Co., 320 U. S. 661	2, 6
Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488	2
Musher Foundation, Inc. v. Alba Trading Co., Inc., 127 F. (2d) 9	6
Reeves v. Beardall, 316 U. S. 283	4, 6
Sidis v. F-R Pub. Corp., 113 F. (2d) 806	6
Sola Electric Co. v. Jefferson Electric Company, 317 U. S. 173	6
United States v. Continental Casualty Co., 69 F. (2d), 107, (C. C. A. 2nd)	3
Zalkind v. Scheinman, 139 F. (2d) 895	6

MISCELLANEOUS.

	Page
Federal Rules of Civil Procedure, Rule 54 (b)	4, 6
Judicial Code, Section 240 (a), as amended by the Act of February 13, 1925 (28 U. S. C. A. 347)	4

INDEX TO BRIEF.

	Page
Opinions of the Court Below	9
Statement of the Case	9
Jurisdiction	9
Specification of Error to Be Urged	9
Argument	10
1. The Question Presented is an Important One of Federal Law of Procedure	10
2. The Majority Opinion of the Circuit Court of Appeals for the Second Circuit Is Probably in Conflict With Applicable Decisions of This and Other Courts	12
Conclusion	16
Appendix.—Claims of Patent No. 2,056,462 in Suit	19

CASES CITED IN BRIEF.

	Page
B. B. Chemical Co. v. Ellis, 314 U. S. 495	14
Carbice Corp. v. American Patents Developments Corp., et al., 283 U. S. 27	14
Ethyl Gasoline Corp. v. U. S., 309 U. S. 436	14
General Electric Co. v. Marvel Rare Metals Co., 287 U. S. 430	16
Jefferson Electric Co. v. Sola Electric Co., 122 F. (2d) 124	16
Leishman v. Associated Wholesale Electric Co., 318 U. S. 203	9
Leitch Mfg. Co. v. Barber Co., Inc., 302 U. S. 458	14
Lesnik v. Public Industrials Corp., 144 F. (2d) 968 (C. C. A. 2)	16
Mercoid Corp. v. Mid-Continent Invest. Co., 320 U. S. 661	11, 14, 15, 16
Morton Salt Co. v. G. S. Suppiger, 314 U. S. 488	14
Philad Co. v. Lechler Laboratories, Inc., 107 F. (2d) 747 (C. C. A. 2)	14
Reeves v. Beardall, 316 U. S. 283	9, 12, 16
Sola Electric Co. v. Jefferson Electric Co., 317 U. S. 173	15
Zimmern, et al. v. United States, 298 U. S. 167	9

MISCELLANEOUS.

	Page
Federal Rules of Civil Procedure:	
Rule 8 (c)	13, 16
Rule 8 (f)	16
Rule 13 (b)	12
Rule 54 (b)	12, 13
Rule 54 (c)	16
Moore, 3 Federal Practice, 1945 Cum. Supp. 146	10

IN THE

Supreme Court of the United States.

No. .

October Term, 1945.

SYLVANIA INDUSTRIAL CORPORATION AND SYLVAN PLASTICS, INC.,

Petitioners,

v.

LIBBEY-OWENS-FORD GLASS COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

To the Honorable Justices of the Supreme Court of the United States:

Your Petitioners, Sylvania Industrial Corporation and Sylvan Plastics, Inc., pray for a Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit to review the judgment of dismissal of the appeal entered by that Court in this suit on March 26, 1946 (R. p. 71).

A certified transcript of the Record in the case, including the proceedings in said Circuit Court of Appeals, has been filed herewith in compliance with Rule 38 of the Rules of this Court.

I. Summary and Short Statement of the Matter Involved.

This is a suit brought by Respondent, Libbey-Owens-Ford Glass Company, in the United States District Court for the Southern District of New York for the alleged direct and contributory infringement by Petitioners of Let-

ters Patent No. 2,056,462 issued October 6, 1936 and entitled "Manufacture of Molded Articles from Urea and Formaldehyde" (see Complaint, R. pp. 4-5).

The patent in suit contains two distinct types of claims, namely, product claims and method claims. The product claims are directed to a urea-formaldehyde molding powder per se. The method claims are directed to a method by which the molding powder is converted into a hardened article of the desired shape. It is to be noted that the method covered by the method claims is not a method of making the product, i. e., the molding powder, but a method involving its use.

Petitioners, in their Answer (R. pp. 6-13), after denying infringement and asserting that the patent is invalid for a number of reasons, averred (R. pp. 12-13) that Respondent is not entitled to maintain the action or to the relief sought because Respondent, itself and through its licensees (American Cyanamid Co. and Bakelite Corporation), has used and is using the patent improperly, unlawfully, and in violation of the principle of the *Carbice* case (*Carbice Corp., v. American Patents Development Corp.,* 283 U. S. 27) and subsequent cases of this Court.* This averment is entitled "Third Defense" (R. p. 12), and squarely challenges the propriety of the dealings of Respondent and its licensees with the purchasers of the molding powder and presents the question whether or not these dealings constitute a misuse of the patent and an unlawful extension of the monopoly secured by the method claims thereof. Petitioners' Answer included a prayer for relief (R. p. 13).

Respondent moved under Rule 12 (b) (6), F.R.C.P., to dismiss this patent abuse averment ("Third Defense") on the ground that it "fails to state a claim upon which relief can be granted" (R. pp. 13-15). In support of the

* Leitch Mfg. Co., Inc. v. Barber Co., Inc., 302 U. S. 458; B. B. Chemical Co. v. Ellis, 314 U. S. 495; Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488; Mercoid Corp. v. Mid-Continent Invest. Co., 320 U. S. 661; Ethyl Gasoline Corp. v. United States, 309 U. S. 436.

motion, Respondent filed an affidavit setting forth its business practices and those of its Licensees (R. pp. 16-19).

Petitioners then filed a motion for summary judgment on the "Third Defense" under Rule 56, F. R. C. P., upon the Complaint and Answer, Respondent's affidavit and an additional affidavit. (R. pp. 20-26.)

The affidavits filed by Respondent and Petitioners in support of their respective motions set forth all the facts relevant to the patent abuse averment "without disagreement as to any material fact" (affidavit of Respondent's attorney, R. p. 39).

The Respondent's Motion to Dismiss and Petitioners' Motion for Summary Judgment were heard by the District Court (Judge Bright) who rendered an opinion (R. pp. 27-32), holding (R. p. 32):

> "As a pleading, the defense is good. Upon the merits, as revealed by the uncontradicted facts stated in plaintiff's moving affidavit and adopted in the defendants' moving papers, it is insufficient.
>
> "Plaintiff's motion will, therefore, be granted, and defendants' motion denied."

An appropriate order was entered by the District Court by which, inter alia, the patent abuse averment was dismissed upon the merits (R. p. 33).

Petitioners then appealed to the Circuit Court of Appeals from so much of the judgment or order as dismissed the patent abuse averment on the merits (R. p. 34).

Respondent moved to dismiss the appeal "upon the authority of the case of the *United States v. Continental Casualty Co.*, 69 F. (2d), 107, (C. C. A. 2nd)." (R. pp. 37-38.)

Respondent's Motion to Dismiss the appeal was argued before the Circuit Court of Appeals, and the Court, in a divided opinion dismissed the appeal (R. pp. 44-70). The majority of the Court (Judges Swan and Clark) concluded that a patent abuse issue as raised in this case is insep-

arable from the issue of the validity of the patent and, therefore, that the order of dismissal was not a final judgment and hence is not separately appealable (R. pp. 44-52). The minority opinion (Judge Frank) took the opposite view and concluded that the judgment was a separate judgment under Rule 54 (b), F. R. C. P., and is, therefore, appealable when entered. (R. pp. 52-70.)

A judgment of dismissal of the appeal was entered by the Circuit Court of Appeals on March 26, 1946, (R. p. 71) and it is this judgment that Petitioners seek to have reviewed by this Court.

II. Jurisdiction.

The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. A. 347).

The judgment of dismissal of an appeal by a Circuit Court of Appeals on the ground that the judgment was not final was reviewed by this Court upon certiorari in *Reeves v. Beardall,* 316 U. S. 283.

The judgment of dismissal of the Circuit Court of Appeals which Petitioners seek to have reviewed was entered on March 26, 1946.

III. The Question Presented.

The decision of the Circuit Court of Appeals for the Second Circuit presents the following question:

> When an issue of patent abuse in a patent infringement suit has been decided on the merits, in advance of the trial of the other issues, against the party charged with infringement, is the judgment on that issue final and appealable upon its entry; or must an appeal therefrom await the trial of the issues of validity and infringement and the entry of a judgment thereon?

IV. Reasons for Granting the Writ.

The discretionary power of this Court is invoked upon the following grounds:

(1) The Circuit Court of Appeals for the Second Circuit in this case has, by a divided Court, decided an important question of Federal law of procedure in patent infringement suits which has not been, but should be, settled by this Court.

a) It is important that the nature of a judgment dismissing a patent abuse averment on the merits, whether following a motion to dismiss or a trial on the separate issue, be settled by this Court, for, until that time, the necessity of an appeal from such a judgment will remain an open question and a party will be required, in every such case, to file an appeal within the statutory period or run the risk of losing his only chance for appeal.

b) It is also important to have this Court determine whether or not a judgment of the type in question is final, because, if it is, a review of the merits of the patent abuse averment is immediately available, and, if the judgment be reversed, the claim for patent infringement can then be dismissed without requiring the Trial Court and the parties to deal with the complicated questions of patent validity and infringement. In such a case, the party guilty of misuse of the patent will not be permitted to gain by compelling the other party to defend the litigation on the merits of the patent questions.*

(2) The Circuit Court of Appeals for the Second Circuit in this case has decided a question of Federal law of procedure in a way probably in conflict with

* The importance of the question was emphasized in the minority opinion, particularly at pages 52 and 67-68 of the Record.

applicable decisions of this Court and of other Circuit Courts of Appeal.

a) The majority opinion of the Circuit Court of Appeals for the Second Circuit, in dismissing the appeal on the ground that the issue raised by the patent abuse averment is inseparable from the issue of validity of the patent in suit, rendered a decision probably in conflict with the decisions of this Court in *Mercoid Corp. v. Mid-Continent Invest. Co.*, 320 U. S. 661, and *Sola Electric Co. v. Jefferson Electric Company*, 317 U. S. 173, and with the decision of the Circuit Court of Appeals for the Seventh Circuit in *Jefferson Electric Co. v. Sola Electric Co.*, 122 F. (2d) 124.

b) The decision by the majority of the Circuit Court of Appeals for the Second Circuit to the effect that a judgment dismissing the patent abuse averment is not a final judgment under Rule 54 (b) F. R. C. P., thereby depriving the defeated party of its right to an immediate appeal, is contrary to the decision of this Court in *Reeves v. Beardall*, 316 U. S. 283; is contrary to decisions of other courts of appeal, viz., *Hanney v. Franklin Fire Ins. Co.*, 142 F. (2d) 864 (C. C. A. 9); *Jefferson Electric Co. v. Sola Electric Co.*, 122 F. (2d) 124 (C. C. A. 7), (see also contrary decisions of the Circuit Court of Appeals for the Second Circuit, viz., *Collins v. Metro-Goldwyn Pictures Corp. et al.*, 106 F. (2d) 83; *Sidis v. F-R Pub. Corp.*, 113 F. (2d) 806; *Musher Foundation, Inc. v. Alba Trading Co., Inc.*, 127 F. (2d) 9; *Zalkind v. Scheinman*, 139 F. (2d) 895).

WHEREFORE, your Petitioners respectfully pray that a Writ of Certiorari be issued to the United States Circuit Court of Appeals for the Second Circuit, to the end that this cause may be reviewed and determined by this Court,

that the judgment of the Circuit Court of Appeals dismissing the appeal may be reversed, and that Petitioners may be granted such other and further relief as may be proper.

CHARLES H. HOWSON,
DEXTER N. SHAW,
Attorneys for Petitioners.

WILLIAM A. SMITH, JR.,
LESLIE D. TAGGART,
Of Counsel.